97-84131-11

Reader, A.B.

Peru: its present financial, commercial, and political...

[New York]

[1899]

97-84131-11
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD

308
Z
Box 540
cReader, A B ,
Peru: its present financial, commercial, and political conditions. cNew York, 1899.
34 p. 23 1/2cm.

Signed: A. B. Reader.
Inserted at end: Extract from message of President Pierola to the Peruvian congress on September 8, 1899 (1 leaf)

354788

RESTRICTIONS ON USE: *Reproductions may not be made without permission from Columbia University Libraries.*

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 11:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 7/7/97 INITIALS: TLM/BB

TRACKING # : MSH 25657

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

303
Z
Box 540

PERU:

ITS PRESENT FINANCIAL, COMMERCIAL, AND POLITICAL CONDITIONS

April 16 140-Mot/288

PERU:

ITS PRESENT FINANCIAL, COMMERCIAL, AND POLITICAL CONDITIONS

GENERAL DESCRIPTION.

Peru is situated on the west coast of South America, between 3° south latitude on the north and 19° south latitude on the south. It is bounded on the west by the Pacific Ocean, and has a coast line of about 1,200 miles. It is bounded on the north by Ecuador, on the east by Brazil and Bolivia, and on the south by Chile. *Situation.*

Peru has an area, according to the statistics of the Lima Geographical Society, of some 700,000 square miles. *Area.*

Its climate is one of the healthiest in the world, and, although situated in the tropics, is not, generally speaking, too warm for Europeans to work and live in. Owing to its mountainous character, every variety of temperature can be obtained. The summer temperature of Lima, the capital, does not exceed 78° Fahrenheit, and the winter resembles English or American spring weather without the objectionable cold winds. *Climate.*

The inhabitants of Peru number some 3,000,000. Of these some two and a half millions are Indians, who are scattered all over the country in villages and small rural communities, having little or no say or interest in the public affairs or political administration of the country. The Peruvian Indian is mild and inoffensive, willing to work and easy to manage. Although conservative in his habits, he is an apt pupil, and when once taught anything new does not forget it. The Indian is domesticated in his habits, fond of his wife and children, cheerful, and capable of astonishing endurance. His food consists for the most part of maize, potatoes, yucca, *Population.*

FRANK TANNENBAUM
1-12-39

rice, and bread; he consumes very little meat on account of its price. He is unfortunately addicted to alcohol whenever it is obtainable, and an indispensable article of his daily consumption are the leaves of the coca plant. So sustaining are the effects of the coca leaf that it is claimed that an Indian can travel for three days continuously without taking food, so long as he chews coca.

The Indians have been shamefully treated and abused for many years by their white masters, with the result that they fear and dislike foreigners, but when treated with justice and paid fair wages are first-rate workmen and servants.*

The remaining half million of inhabitants consist of the descendants of the old Spanish conquerors, and constitute the ruling class in Peru. There is also a fair number of negroes, and Chinese to the number of some 25,000. The foreign colonists, 18,000 in number, consist mainly of Italians, Germans, French, Spaniards, English, and Americans. The Italians furnish the small shopkeepers and hotelkeepers. The English, Germans, and French own the largest mercantile houses. Americans at present do very little business in the country.

The ruling class of Peruvians only numbers some 450,000, of whom fully two-thirds are women, children, and old men. Consequently the administration of the entire country is in the hands of only some 150,000 men. Of this number only about 110,000 men are registered as having the right to vote for the election of Congress and President.

At the last elections, held in May, 1899, when Señor Romaña was almost unanimously elected to be President, only some 63,000 recorded their votes. One-third of the electoral roll must register its votes to secure a valid election.

The Peruvians as a race are extremely intelligent and are invariably courteous and hospitable to strangers—indeed, where foreigners have received ill-treatment, it has generally been the result of their own ignorance and failure to study and comply with the conditions of the country. The main fault of the

* The Indian population is nearly stationary owing to the great infant mortality in the lower classes, as well as to smallpox and alcoholism. About one-fourth of the Indian population is a mixed race of Indians and negroes called "Zambos."

Peruvian is his want of application and unfortunate tendency, inherited from his Spanish forefathers, of wishing to live on the Government. He can turn his hand to anything, and the amount of his superficial knowledge is surprising; he is full of ideas and ambition to carry them out, but lacks not only the necessary methodical training and habits, but also the capital, as the Peruvian is by no means of a thrifty nature. Were it not for these defects few foreigners could cope with them in quickness of intellect or gain a livelihood in their country.

Principal Towns.

The following list shows the principal towns with their respective populations:

Lima (seat of Government)	120,000	inhabitants.
Arequipa	40,000	"
Cuzco	30,000	"
Callao	20,000	"
Ayacucho	20,000	"
Cerro de Pasco	20,000	"
Trujillo	15,000	"
Cajamarca	15,000	"
Chiclayo	15,000	"
Iquitos	13,000	"
Piura	12,000	"
Puno	10,000	"
Iça	10,000	"
Huaraz	10,000	"
	350,000	"

In addition to the above there are a large number of small towns and villages scattered all over the country, with populations varying from a few hundred to four or five thousand inhabitants.

Lima.

Lima, the seat of Government, is the centre of everything political, commercial, and industrial in Peru. It has an unrivalled water supply, is splendidly lighted by both gas and electricity, and is rapidly becoming well paved; is the possessor of several good hotels and has many useful public institutions; has a complete efficient system of tramways, telephone and postal service. Lima is excellently policed and has several efficient volunteer fire brigades. There are four or five good social clubs. The market provides a great

variety of fish, meat, poultry, fruit, and vegetables at moderate rates. Its shops are well kept and well furnished. The Peruvian who can afford to do so lives in Lima.

Language. The ruling class in Peru speaks Spanish, and the Indians speak the Quichwa dialect, which is peculiar to the tribes that inhabit the Peruvian Cordilleras.

Religion. By the terms of the constitution there exists absolute political but not religious freedom, the charter prohibiting the public exercise of any other religion than the Roman Catholic, which is declared the religion of the state. But practically there is a certain amount of tolerance, there being Anglican churches and missionary schools in Callao and Lima.

Civil Marriages. In 1897 an act was passed removing certain marriage disabilities of non-Catholics, so that marriages of such persons solemnized by diplomatic or consular officers or by ministers of dissenting churches shall, if registered, be valid, and those solemnized before the passing of the act, if registered before the end of 1899, shall be valid.

Instruction. Elementary education is compulsory for both sexes, and is free in the public schools that are maintained by the municipalities. High schools are maintained by the Government in the capitals of the departments, and in some provinces pupils pay a moderate fee. There is in Lima a central university called "Universidad de San Marcos," the most ancient in America. Its charter was granted by the Emperor Carlos V. It has faculties of jurisprudence, medicine, political science, theology, and applied science. Lima possesses a school of mines and civil engineering, created in 1874, with good collections and laboratories. There are in the capital, and in some of the principal towns, private high schools under the direction of English, German, and Italian staffs. Lima has also a public library, besides the one of the university and School of Mines. There are two minor universities at Cuzco and Arequipa.

Conditions of Life. The conditions of life in Peru are very easy and agreeable. Foreigners or Peruvians alike pay very few direct taxes to Government. All that is required to make life agreeable are a knowledge of the Spanish language, to obey the laws, to refrain from taking part in the country's politics, and to treat the natives with ordinary politeness.*

Security. There is a widespread and completely erroneous impression current abroad that there is no security for life or property in Peru. In his report, read at a general meeting of the Federated Institute of Mining Engineers, held in London on June 3, 1892, Mr. Edmund Lane, civil engineer, after recounting the results of continuous travel through the country with the object of reporting fully and exhaustively on the coal and mineral resources of Peru, concludes with these words: "The writer wishes to give personal testimony as to the safety of life and property all over Peru, and to express gratitude for the courtesy, hospitality, and kindness invariably extended to him during his residence in the country." At the same meeting Don F. A. Pezet, the Peruvian Consul-General in London, said he could prove that no foreigner in Peru had been ruined through political troubles, and that those who had been had only themselves to blame. Also, Mr. Ross, of London and Ceylon, said that he could speak on the subject of the safety of life and property in Peru from having recently visited the Central Provinces. He had been there on some occasions alone, and at other times accompanied by two persons, and they travelled through various districts of the country. There was one part into which he had been advised not to go alone, but throughout the civilized districts, inhabited and cultivated by the Cholo Indians, of the country he found nothing but perfect civility, courtesy, and respect, and there was not the slightest sign of any danger to his life. With regard to the Peruvians, wherever he (Mr. Ross) and his companions went

* We may here point out that it is useless for a foreigner, ignorant of the language and customs of the country, whether rich or poor, as has happened so many times with invariably unfortunate results, to go to Peru with the expectation of doing business or making money quickly.

The country requires as much careful study and preparation before serious negotiations can be successfully opened as does China or any other new and strange country.

Peru has suffered more in its credit abroad from unsuccessful ventures on the part of foreign adventurers without means and from ignorance of the language and customs on the part of the managers and employees of foreign capital than from any other cause. Furthermore, most of the foreign enterprises have either suffered from overcapitalization or insufficiency of capital.

they found nothing but the greatest courtesy, attention, hospitality, and kindness.

We quote these gentlemen at length, as we not only can fully corroborate their statements as to the utter absence of danger to life or property in Peru, from years of residence and travel in all parts of the country, but because we think it of the utmost importance to clear the country from such an erroneous, mischievous, and entirely unmerited stigma on the national character.

Many foreigners have gone to Peru to make money quickly, and have expected to earn usurious rates of interest on their outlay, and in this hope have often placed their money in unworthy hands without previously taking ordinary precautions and making proper inquiries as to the standing and credit of the people with whom they were dealing, with the result that they often lost their money. We fancy it is mainly from people of this class that the accusations against securities and guarantees in Peru are derived.

Government.

The Republic of Peru, formerly the most important of the Spanish Viceroyalties in South America, issued its declaration of independence July 28, 1821; but it was not until after a war, protracted till 1824, that the country gained its actual freedom from Spanish rule. The Republic is politically divided into departments, of which there are at present nineteen, and the departments are divided into provinces, and the provinces into districts. Over each department there is a prefect, over each province a subprefect, and over each district a governor or lieutenant-governor.

As a result of the war with Chile, the latter country has annexed the province of Tarapacá, containing the famous nitrate deposits. The Chilians have also occupied the provinces of Tacua and Arica for fourteen years. A popular vote should in 1894 have decided to which country they are to belong, but owing to failure of negotiations for arriving at a *modus operandi*, the decision was deferred. A convention for the purpose of carrying out the plebiscite was signed at Santiago, April 16, 1898.

The present Constitution, proclaimed October 16, 1856, was revised November 25, 1860. It is modelled on that of the United States, the legislative power being vested in a Senate

and a House of Representatives; the former composed of representatives nominated by the electoral provinces of each department, at the rate of two when the department has two provinces, and one more for every two provinces; and the latter of deputies of the provinces, in the proportion of one for every 30,000 inhabitants, or fraction exceeding 15,000.

The parochial electoral colleges choose deputies to the provincial colleges, who in turn send representatives to Congress and elect the municipal councils as well.

The executive power is entrusted to a President. There are two Vice-Presidents, who take the place of the President only in case of his death or incapacity, and they are elected for four years. The President and Vice-Presidents are elected by direct vote.

The President exercises his executive functions through a Cabinet of six ministers, holding office at his pleasure. The ministers are those of the Interior, War and Marine, Foreign Affairs, Justice and Education, Finance, and Public Works. None of the President's acts have any value without the signature of a minister. The President is elected for four years, and the same person cannot stand for reëlection for two consecutive terms of office.

The seat of Government is in Lima, where are the executive offices and the Houses of Assembly and Congress. Congress meets there every year for ninety days, assembling on July 28th and dissolving at the end of October.

Internal Politics.

Since its emancipation from Spanish rule, seventy-five years ago, Peru has been the victim of constant internal political disturbance, the natural outcome of a people suddenly freed from all control after having been ground down for some two centuries by excessive taxation and the harshest ill-treatment. Furthermore, the interests of the country have been sacrificed to a small band of unscrupulous political adventurers, who have traded on the ignorance and apathy of the bulk of the population to secure the reins of government, and to enrich themselves and their friends at the country's expense. The lack of all cohesion and of communication between the different departments of the country, and the immense sources of wealth lying ready to hand on the coast in the shape

of millions of tons of guano and nitrate, belonging to the Government, made revolution a very easy and attractive occupation, which was regarded and indulged in as a purely commercial, nay almost legitimate, speculation with great frequency and almost unvarying success.

Now, however, the conditions are completely changed. The Chilians, after the war with Peru in 1879-80, deprived the latter of her nitrate fields, and the guano and state railways are in the hands of the Peruvian Corporation, an English company which took over, in January, 1890, the entire public debt of Peru. It may not be out of place here to remark that the world-famous nitrate fields of Peru have proved the curse of whatever country has owned them. When Peru owned them the whole country lived on them, through the Government, and work on and attention to other sources of wealth and branches of industry were utterly neglected as being unnecessary.

Chile, before the war, was a poor but very industrious country. Since she came into possession of the nitrate fields, which contribute over $20,000,000, or some sixty per cent. of her yearly revenue, Chile has become politically corrupt and financially bankrupt.

Peru, on the other hand, has been compelled through dire necessity to put her finances in order and to turn her attention to the development of her other latent, more inaccessible, but equally valuable resources.

President Pierola, who succeeded after many years of revolutionary struggles in getting himself elected in 1895, has inaugurated an era of political peace by bringing about the fusion of the two principal political parties in Peru—the Democrats and the Civilistas, formerly irreconcilable enemies—and by establishing drastic reforms in the public administration which have had a most beneficial and tranquillizing effect on the whole country.

President Romaña, the sole nominee of the fused parties, was elected, with scarcely a dissentient vote, in May last, and assumed office on September 8, 1899, for a period of four years. Señor Romaña is not a politician, although he gave evidence of great public ability and integrity as Minister of Fomento a few years ago. He was educated in England as a civil engineer, and did practical work in his profession. He is a man of private fortune,

devoid of political ambition, and will prove a hardworking, serious, and progressive President. He, moreover, has the good will of all political parties, the clergy, and the outgoing President; hence there is every prospect of another era of political peace for Peru.

Undoubtedly there are a few malcontents who would be glad to stir up strife in furtherance of their own selfish and unpatriotic ambitions, but they have neither money nor friends, and the country has demonstrated several times during the past four years, in the most unmistakable manner, that it is utterly weary of revolutions and that it will not permit them. The country has realized at last that it has absolutely nothing to gain by countenancing internal political strife, and that its only hope of prosperity lies in peace and the attraction of foreign capital to develop its great, but scarcely developed, resources.

The days of serious political upheavals in Peru may be said to have ended.

Defence.—Army.

The army, in time of peace, is composed of six battalions of infantry, numbering 2,086 officers and men; of two regiments of cavalry numbering 622 officers and men; of two brigades of artillery numbering 449 officers and men; forming a total of 3,157 men. Four specially selected French officers have been lent by the French Government for the purpose of reorganizing the army. A military school has been opened at Chorillos, near Lima. The army is recruited from the Indians of the Sierras by a system of compulsory conscription.

The Peruvian Indian can be trained in the space of one year to be a good soldier—obedient, brave, and of unequalled endurance. He can travel long distances on a minimum of food and do without shelter of any kind. Consequently a Peruvian army in the field needs but little attention to be paid to the commissariat and field equipment departments.

Navy.

Since the Chilian war Peru has maintained no navy. The only Government vessels are three armed transports, used for conveying troops along the coast. The coast ports are entirely undefended.

Police.

There is a very well organized municipal police force of some 2,000 to 3,000 men, which gives every guarantee of safety to life and property in the principal towns.

The country districts are patrolled by pickets of mounted police armed with rifles, sabres, and revolvers.

The Government controls the postal arrangements throughout the country. Peru is a member of the Postal Union.

Postal. Postal rates in the country are two and one-half cents for letters weighing one-half ounce, and foreign letters pay five cents for one-half ounce.

Parcels and money can be sent through the post-office to certain parts of the Republic, and to foreign countries.*

Peru is connected with Chile, Ecuador, Panama, Europe, and the United States by two submarine cables. The cables are

Telegraph. owned, one by an English company, the West Coast of America Telegraph Company, Limited, and the other by an American company known as The Central and South American Cable Company (via Galveston).

The telegraph cables have stations at Paita, Callao, Lima, and Mollendo, and thus Peru is placed in direct communication with the telegraphic system of the world.

Both cable companies have their head offices in or near Lima, and each one keeps its own cable steamer in Callao to repair breakages, etc.

Cable messages from Lima to New York cost $1.30 per word.

The Government owns all inland telegraph lines, of which there are some 2,000 miles. These lines are worked partly by the Government, partly by the Peruvian Corporation, and partly by the West Coast Telegraph Company.

There are forty-eight telegraph offices. In 1896, 88,326, and in 1897, 121,492 telegrams were despatched.

The Government of Peru is extending its telegraph system every year, so as to bring the principal political and commercial centres into telegraphic communication with the capital.

Telephones. A telephone system has a network of 2,300 miles, and is being rapidly extended.

There are over 800 miles of state railways in Peru, and some

* In 1897, 12,760,771 letters, post-cards, newspapers, etc., passed through the post-office; there are 320 offices. Revenue (1897), 259,478 soles ($129,789), exclusive of a balance of 9,769 soles for former year from local offices; expenditure, 261,360 soles.

140 miles of privately owned railways. The Peruvian railways, including those ceded to Chile, cost some £36,000,000 *Railways.* sterling.

The state railways are all in the hands of, and are managed by, the Peruvian Corporation.

The gross receipts of the state railways averaged yearly for a period of eight years, from 1891 to 1898 inclusive, the round sum of £302,000, and the net receipts for the same period were assessed at the yearly average of £108,000.

The amount deducted from the gross revenue for working expenses, etc., seems unnecessarily high, although the gradients on most of the lines are exceptionally heavy, and in the rainy season in the Cordilleras landslips are frequent. Freights are unnecessarily high, which has had the effect of crippling development of trade with the interior.

The subjoined table shows the amount of cargo and passengers carried over all Peruvian railway lines during the past nine years:

Year.	No. of Passengers.	Cargo in Tons.
1890	2,555,000	442,000
1891	2,629,000	406,000
1892	2,630,000	488,000
1893	2,704,000	414,000
1894	2,560,000	419,000
1895	2,565,000	432,000
1896	3,036,000	486,000
1897	3,160,000	506,000
1898	3,158,000	545,000
	24,997,000	4,138,000

By connecting, by means of a few light railways, the richest mineral districts in the interior to the existing main railway lines, the traffic in both cargo and passengers would be enormously increased.

There is also abundant field for profitable investment by building a number of small railways from the fertile and at present isolated valleys and small towns all along the coast to the adjacent ports.

Good roads and bridges are required all over the country. A road is being constructed by the Government, at great cost, to

connect the fertile coffee districts of the Perené with the river Amazonas, and to bring the important town of Iquitos, situated on the same river, into easy communication with Lima.

Roads.

Peru has the river Amazonas and its tributaries, some six thousand miles of navigable rivers, available to steamers of from three to seven feet draught, with an average current velocity of three miles an hour. This great and unique system of inland waterways is at present wholly neglected and ignored, although the neighboring provinces contain untold wealth in the shape of minerals of all descriptions, vast forests of varied valuable timber, and an almost inexhaustible supply of the finest rubber trees, as well as all kinds of tropical and subtropical vegetable products.

Rivers.

This Amazonian region, according to the opinion of M. Carrey, a French scientist who was specially commissioned by his Government, some time ago, to make a thorough exploration of South America, and more especially of Peru, to use his own words, "is the geographical region, the most vast, the most marvellous, and the region offering the greatest future for humanity that exists on our globe." Humboldt, another well-known explorer, also predicted that this region would one day be the centre of civilization of the world.

FINANCIAL POSITION.

The revenue and expenditure for the year 1896 (ended May 31st) and the estimates for 1897 and 1898 were as follows:

Revenue and Expenditure.

	1896	1897	1898
Revenue	$4,918,098	$5,360,760	$5,392,925
Expenditure	4,532,127	5,654,120	5,744,120

The official statement for 1896 showed an apparent surplus of $375,975, but there was in reality a deficit of $438,294, arising from former deficits and from extraordinary expenditure for the suppression of insurrection. To meet this deficiency, and those anticipated for 1897 and for 1898, the Government has been authorized to raise a sum not exceeding $750,000, and it

is proposed to arrange with the tax-collection company for the service and redemption of this loan.

The public revenue is mainly derived from customs. A direct tax is levied at the rate of 5 per cent. on the rent derived from real property. In 1896 the collection of the dues on alcohol, opium, tobacco, and stamps, and later on registered mines, was farmed out for two years to a tax-collection company ("Recandadora de Impuestas"), which should pay to the Government $63,367 per month, and half the profits over that amount. This contract has been renewed for five years, during which the Government will receive, in addition to the above-mentioned monthly payment, 75 per cent. of the profits instead of half, the company being allowed to deduct beforehand 15 per cent. of the receipts to cover administration and collection expenses.

Revenue.

The capital of this company is $1,000,000, in shares of $50. These shares were issued in Lima at $33.45 paid up, and are now quoted $39.95.

In the same year salt was declared to be a Government monopoly, the proceeds from which should be devoted exclusively to the ransom of Tacua and Arica.

For 1898 the revenue was estimated as follows:

Customs	$3,160,000
Taxes	1,083,705
Salt monopoly	565,220
Posts and telegraphs	136,000
Various	448,000
Total	$5,392,925

The following figures show the customs duties actually collected duing the years 1892, 1896, and 1897:

1892—Imports	$2,688,583		
Exports	65,734	—$2,754,317	
1896—Imports	3,317,114		
Exports	42,955	— 3,360,069	
1897—Imports	3,054,135		
Exports	45,902	— 3,100,037	
1898—Imports / Exports	Estimated		3,160,000

Expenditure. For 1898 the expenditure was estimated as follows :

Congress	$182,185
Ministry of Interior	1,328,100
" " Foreign Affairs	322,380
" " Justice	632,725
" " Finance	1,543,000
" " War, Marine	1,607,160
" " Public Works	128,570
Total	$5,744,120

Foreign Debt. The foreign debt of Peru was made up of two loans, contracted in England in 1870 and 1872 :

Railway 6 per cent. Loan of 1870	£11,141,580
" 5 " " 1872	20,437,500
Total	£31,579,080

These two loans were secured on the guano deposits (now in possession of Chile) and the general resources of Peru. No *Peruvian Corporation.* interest having been paid on the foreign debt since 1876, the arrears in 1889 amounted to £22,998,651. In January, 1890, by the final ratification of the Grace-Donoughmore contract, and by the formation of the Peruvian Corporation, Peru was released of all responsibility for the two loans, and the bondholders had ceded to them all the railways, guano deposits, mines, and one million hectares of land belonging to the state, for sixty-six years.

In 1882, and subsequently, arrangements were made with Chile that a portion of the proceeds of the guano deposits should be paid as interest to the bondholders ; but certain disputed claims have delayed the settlement. The guano deposits on Huanillos, Punta Lobos, Pabellon de Pica, and the island of Lobos de Afuera have been delivered over to the Peruvian Corporation by the Chilian Government.

The authorized capital stock of the Peruvian Corporation is £16,500,000, of which 7,500,000 are 4 per cent. cumulative reference shares of £1 each, and the balance are 9,000,000 ordinary shares of £1 each.

The Corporation has authority to issue £6,000,000 6 per cent. debenture bonds, of which up to the present £3,700,000 have been issued.

In the contract celebrated January 11, 1890, between the Peruvian Corporation and the Peruvian Government, it was generally stipulated as follows :

THE PERUVIAN GOVERNMENT SHOULD

RAILWAYS.

a. Cede all the state railways to the bondholders for a term of sixty-six years from date of delivery [Clause 2].

b. Confer sole right for five years to Corporation to make certain prolongations of the existing railways [Clause 2].

c. Cede all existing works to carry out such prolongations only in event of Corporation carrying out such prolongations within the space of five years [Clause 3].

d. Cede all or any lands belonging to the state free of charge that may be required by the Corporation for such prolongations [Clause 4].

e. Hand over all such railways to bondholders, freed from all responsibilities or liabilities other than those expressly set out in the contract [Clause 5].

f. Concede to bondholders right to import, free of duty, locomotives, machinery, and articles necessary for the construction or reparation of the railways during the limits expressed in the contract. Also locomotives, machinery, and railway plant necessary for the exploitation of guano [Clause 10].

g. Cede to the bondholders all the rights and claims that the Peruvian Government possessed against the possessors, past and present, and the constructors of the existing railways; it being understood that the corporation relieves the Government of any liability towards such possessors or constructors [Clause 17].

h. Confer power on the bondholders to hypothecate or raise money to the total amount of £6,000,000, on all or any of the railways and the guano, in order to enable them to fulfil obligations of their contract. Any hypothecation so celebrated by the bondholders shall hold preference over any other charges or claims against the railways or guano [Clause 23].

MOLES.

i. Concede to bondholders free use of the Government moles at the ports of Mollendo, Pisco, Ancon, Chimbolo Pacasmayo, Salaverry, and Paita for materials used in maintenance and construction of railways [Clause 6].

TELEGRAPHS.

j. Concede to bondholders right to use and charge the public for use of the telegraph and telephone lines along the railways existing or to be constructed [Clause 12].

NAVIGATION OF LAKE TITICACA.

k. Concede to the bondholders, under certain stipulations, the right of free navigation on Lake Titicaca, and right to acquire the government vessels then running in the lake [Clause 20].

GUANO.

l. Cede to bondholders the sole right to work, export, and sell the guano existing in Peruvian territory up to the amount of 3,000,000 tons, the bondholders agreeing to submit themselves in the matter of the exploiting and sale of the guano to the terms of the treaty of peace between Peru and Chile.

If within the period of eight years the bondholders do not complete the railway line between Sicuani and Cuzco (provided it is proved beforehand by a special commission that Peru possesses guano to the extent of 3,000,000 tons), the amount of guano to which the bondholders shall be entitled will be reduced to 2,000,000 tons.

The Government accepts no responsibility for the difference in the event of there not existing the quantity of 3,000,000 tons in Peru [Clause 21].

STATE LANDS.

m. Cede to the bondholders 1,000,000 hectares of state lands in the Montaña free of charge in perpetuity for purposes of colonization. To be granted in separate blocks, each block not exceeding 250,000 hectares [separate contract].

ANNUAL PAYMENT.

n. Pay to the Committee of Bondholders thirty-three annual payments of £80,000 each [Clause 22].

By a special stipulation [Clause 29] the Peruvian Government is freed from its liability to pay the first three of these annual instalments of £80,000.

The Committee of Bondholders undertook :

PERUVIAN FOREIGN DEBT.

a. To relieve the Government of Peru, fully, absolutely, and irrevocably, of all responsibility for the loans of 1869, 1870, and 1872 [Clause 1].

RAILWAYS.

b. To submit themselves in the management of the railways to the laws of Peru [Clause 7].

c. To give the Government certain facilities over the railways [Clause 9].

d. To carry at one-third of the ordinary tariff rates all materials required for the construction of state or private railways. This does not include coal [Clause 11].

e. To construct certain prolongations of the existing railways within the terms and under the conditions specially laid down in the contract [Clause 13].

f. To construct and complete within the space of six years 160 kilometres of railway between certain stipulated points [Clause 13].

Of these 160 kilometres, 50 kilometres were to be completed within four years, 50 kilometres more by the end of the fifth year, and the remaining 60 kilometres by the end of the sixth year.

If the bondholders fail to comply with this stipulation, wholly or in part, they shall pay a fine of £5,000 for each one of the first sections not completed within the stipulated time, and £6,000 for the third section. Should another year pass without completion of the sections, the fines for each shall be doubled ; and if another year should go by without completion, the first two sections should pay a fine of £25,000 each, and the third section £30,000, which fines shall be incurred annually for an indefinite period until the sections shall have been completed [Clause 15].

g. To complete the railway line from Sicuani to Cuzco within the space of eight years, or lose the right to 1,000,000 tons of guano [Clause 21].

h. To reconvey to the Peruvian Government, on the expiration of the sixty-six years, the railways, prolongations, and new lines, and all the plant, property, and rolling stock belonging to them in good condition [Clause 25].

Neither the Peruvian Government nor the bondholders have carried out the whole of their undertakings.

The Peruvian Government levied an additional 8 per cent. on imports, for the ostensible purpose of paying the bondholders the annual £80,000 secured on the customs, but, on the plea that the Corporation has failed in its undertaking in connection with the prolongation of the railways, claims that the Peruvian Government is absolved from compliance with its undertaking in respect of the annual payment.

The bondholders claim that the Government owes them some £500,000 in respect of this annual payment.

In extenuation of the Government we must admit that the

bondholders have also failed (nor have they made any attempt) to carry out the stipulations in respect of the construction of the 160 kilometres of new lines, nor have they begun the construction of the line between Sicuani and Cuzco. Consequently, the Government may justly claim that the Corporation owes it, in the shape of fines, some £300,000, and forfeit their rights to 1,000,000 tons of guano. The Government also contends that the bondholders have abused their privilege of the free use of the moles and freedom from paying import duties on certain articles by the introduction of dutiable and toll-paying articles without making payment to the Government. The Government, for these reasons, claims that not only is it absolved from paying the £80,000 annually to the bondholders, but that the latter actually owe the Government an amount more or less equal to what they lay claim to.

In view of the fact that the total Government expenditure for the past three or four years has been greater than the revenue from all sources, it is difficult to see whence the Government is to obtain the annual £80,000 claimed by the bondholders, especially as the deadlock and friction between the latter and the Government have had the effect of further damaging Peru's credit abroad and consequent capacity to raise money.

The Peruvian Congress gave authority to the Peruvian Government in 1897:

(1) To proceed to a liquidation of accounts and to agree with the Corporation as to the form and terms of payment of any balance which might result from the liquidation.

(2) Peru to be entirely exempted from the annuity of £80,000, without, however, imposing upon her any further obligations beyond those specified in the contract, or making any innovation with regard to the cancellation of the old external debt.

(3) The Corporation to be relieved from responsibility of prolonging the railway from Sicuani to Cuzco, but its right to export guano to be reduced to two million tons.

(4) The maximum value of the Peruvian sole, fixed in January, 1890, at 34 pence for railway tariff, to be reduced to 24 pence.

(5) The authority to expire on July 27, 1898. Congress in a later session extended the authority until July 27, 1899.

A representative of the bondholders proceeded in 1898 to Peru to confer with the commission appointed by the Government to discuss and, if possible, come to an arrangement, but the negotiations fell through, and the status quo remains unaltered.

The net income of the Peruvian Corporation for the year ending June, 1898, was as follows:

Railways	£103,230 5 4
Guano	35,146 5 10
Registration Fees	147 14 0
Divided on Shares in Peruvian Cotton Mfg. Co., Ltd.	84 0 0
	£138,608 5 2

This was sufficient to pay the interest paid and accrued to June 30, 1898, on debenture bonds at the rate of 3 per cent. per annum, in accordance with the resolution of the meeting of debenture-holders on March 12, 1896, whereby it was agreed to temporarily reduce the interest on debentures from 6 per cent. to 3 per cent. for a period of three years, and to carry forward the sum of £16,764. The total balance standing to credit of the net revenue account on June 30, 1898, was £61,-487 6*s.* 1*d.*

The Peruvian debenture £100 bonds (total issue, £3,700,-000) are now worth about £40 on the London market. Consequently the entire bonded debt of Peru could be bought at the present day for less than $10,000,000, and the present revenue would pay more than 5 per cent. on that amount of capital.

The preference shares are quoted in London at 9 or 10 per cent. of their nominal value, and the ordinary shares at some 2½ per cent. of their nominal value.

At the meeting of debenture-holders held on March 12, 1896, the question of placing the Corporation in liquidation was seriously discussed, before it was decided to agree to a temporary reduction of the interest on debentures.

Internal Debt.

For the consolidation of the internal debt the issue of 40,-000,000 soles in bonds, bearing interest at the rate of 1 per cent. per annum, was authorized in 1889, and 36,174,150 soles were issued. The total amount redeemed (1897) was 9,416,000. During the late civil war the payment of interest

and the amortization were suspended. The interest payments have been resumed, but not the redemption. The total internal obligations are estimated (1898) at 47,591,760 soles, including the interest-bearing funded debt and other claims on the treasury, whether recognized or still under examination.

The consolidated internal bonds are quoted in the Lima market at 8 per cent. of their nominal value. Hence the total internal debt of Peru could be purchased for less than $2,000,000.

Local Taxes.

There are, in addition to the taxes levied by the Government, two other sources of taxation in Peru; viz.: departmental taxes and municipal taxes.

Departmental.

Each department has authority to levy a tax more or less equivalent to 10 per cent. on the selling value, on crops produced in the department, to be applied in the construction and maintenance of roads, bridges, schools, etc.

Municipal.

Each municipality in the country has authority to raise its own revenue for municipal purposes. The principal sources of municipal revenue in Peru are slaughter-houses, market rents, and rates on certain combustibles, street lighting, vehicles, land holdings, alcoholic liquors in transit, etc.

The municipal rates are not oppressive.

COMMERCE.

The foreign commerce of Peru is carried on from several ports, of which the principal are Callao, Paita, Eten, Salaverry, Chimbote, Pisco, and Mollendo.

The commerce of Peru during the year 1897 was as follows:

Imports	$9,002,024
Exports	15,512,691
Total	$24,514,715

The commerce of the year 1896 was as follows:

Imports	$8,752,574
Exports	10,931,167
Total	$19,683,741

This represents an increase over the previous year of 24½ per cent.

Increase in imports	$249,450
Increase in exports	4,581,523
Total	$4,830,973

In making the comparison it must not be overlooked that the increase in the value of exports for 1897 would have been still greater if the prices for the principal Peruvian products had not been lower than in 1896. For instance, whilst the quantity of sugar exported in 1897 exceeded the amount exported in 1896 by 47 per cent., rice by 50½ per cent., wool by 48 per cent., coffee by 74 per cent., etc., the increase in the value of the exports, owing to lower prices, was only 24½ per cent.

Five years before, in 1892, Peruvian commerce was as follows:

Imports	$7,511,710
Exports	9,618,924
Total	$17,130,634

Consequently during the past five years the commerce of Peru has increased by over 29 per cent., thus:

Increase in imports	$552,614
Increase in exports	4,465,301
Total	$5,017,915

The foreign commerce of Peru is distributed among the following countries in the following proportions:

	Imports, per cent.	Exports, per cent.
Great Britain	50	60
Germany	18	7
United States	9	3½
France	8	3
Chile	8	17
Other countries	7	9½

The principal exports are sugar, wool, rice, cotton, rubber, coffee, coca leaves, cocaine, nitrate, guano, borax, hides, silver, silver ore, copper, copper ore.

The principal imports are mining and agricultural machinery; iron, wrought and unwrought; provisions, manufactured cotton and woollen goods, medicines and chemicals; furniture, jewelry, silks, wines, liquors, opium, empty sacks, hardware, glass, crockery, flour, coal, timber, dynamite, glass bottles, etc., etc.

The staple products pay no export tax. Gold, rubber, and ores pay a small export tax.

The taxes on imported goods vary between thirty and thirty-five per cent. Import duties on opium, silks, wines and spirits, and tobacco are very heavy.

INDUSTRIES.

The principal industries of Peru are sugar-planting; also the production of coffee, rice, coca and cocaine, tobacco, wines and spirits, rubber, cotton, gold, silver, and copper, borax, salt, guano, sheep and alpaca wool, and petroleum.

MONEY AND CREDIT.

Peru has experienced all the vicissitudes and disastrous effects of paper and silver currency. Paper currency was abolished some years after the Chilian war. The Government called in all the paper money in circulation and issued fiscal bills known as "Incas," the security being more or less vague. These fiscal bills at the present day have a nominal value of 53,000,000 of soles, worth now less than $2,000,000. It is now proposed to change these bills for bonds in the internal debt.

Paper Money.

The silver coined in the twelve years 1874–85 amounted to the nominal value of 9,841,582 soles; that coined in the twelve years 1886–97, to 30,669,099 soles. For each of the last three years the value was:

Silver Coinage.

Year.	Soles.
1895	4,150,966
1896	2,704,031
1897	429,807

In 1897, the mint was closed to the coinage of silver and the importation of all silver coin prohibited. Measures have been

taken for the conversion of silver coin into bars, to be exchanged for gold, the cost to be defrayed (*pro tanto*) by a surcharge on duties paid in silver.

The executive is also authorized to coin money of the same weight and fineness as the English sovereign, and to accept English sovereigns and national gold coin as equal to ten soles, the ratio being thus thirty-one to one.

Gold Coinage.

By these measures the Peruvian Government has, in the words of its finance minister, "without injury to the mining and agricultural industries and without the financial convulsions so dreaded and predicted by many," established gold as the monetary unit for Peru.

The effect on trade has been most marked; imports and exports have increased by some twenty-five per cent., exchange has not varied during the past three years more than one-eighth of a penny, up or down, and prices can be fixed on all kinds of merchandise without regard to fluctuations in exchange.

To further increase the demand for and circulation of gold in the country, the Peruvian Government has passed a law whereby all customs duties are made payable in gold sovereigns, Peruvian or English; or if paid in silver soles, five per cent. must be added.

A mint for Peruvian gold sovereigns was established in Lima in 1897, and to the present date some 70,000 Peruvian sovereigns have been minted and placed in circulation.

To further induce producers and exporters of gold to send their gold bars and gold dust to be minted in Lima, a three per cent. export tax has been imposed by the Government on all crude gold shipped abroad.

Banking.

In Peru there are three commercial banks:

	Nominal Capital.	Paid-up Capital.
Bank of Peru and London	$1,000,000	$1,000,000
Italian Bank	750,000	375,000
International Bank	500,000	250,000
	$2,250,000	$1,625,000

There is also a savings bank, with deposits amounting to over $500,000.

The condition of these four banks, collectively, on December

31, 1897, was as follows (reckoning the Peruvian sole, for purposes of easy calculation, as being worth fifty cents American gold):

Assets.	Soles.	Liabilities.	Soles.
Cash	5,135,839	Paid-up capital	3,250,000
Advances, bills, securities	11,320,342	Current accounts	11,266,777
Bank premises	411,814	Drafts pending	11,500
Advances for mortgage	7,100	Rebate on bills	46,647
Liabilities of branches to head office	263,277	Fixed deposits	2,919,751
Due from banks in liquidation	675,551	Reserve fund	160,992
Installation account	45,897	Profit and loss	204,153
	17,859,820		17,859,820

The $75 shares in the Bank of Peru and London were quoted in May, 1899, at $87.75.

The $50 shares in the Italian Bank were quoted in May, 1899, at $79.

The $25 shares in the International Bank were quoted in May, 1899, at $29.87½.

Bank discount rates in Lima run from 8 per cent. to 9 per cent.

Interest on deposits averages 2 per cent.

The banks loan money at 9 per cent. to 12 per cent. interest.

The Bank of Peru and London is the only bank having branches, five in number, as well as the head office in Lima. These branches are in Callao, Arequipa, Trujillo, Chiclayo, and Piura.

Banking business is carried on in Peru on a very limited and restricted basis. The making of loans or advances to mines, plantations, and other industries is left almost entirely to the large mercantile houses. The banks confine themselves mostly to dealing in foreign bills. The discount section does a very limited business. Little or no encouragement is given to individual enterprise or to the formation of new industries.

There is no American banking institute in Peru, and at present all financial transactions between Peru and the United States are carried on through the commercial firm of Messrs. W. R. Grace & Co.

INSURANCE.

Up to the year 1896, marine, fire, and life insurance business was done solely by foreign companies. In 1896 Congress passed a law with the object of encouraging national insurance companies, with the result that since that three national companies have been formed with a total capital of $3,250,000, divided into $50 shares, on which $5 have been called up per share. The $50 shares in the different companies are quoted at $5.97½, $7.27½, and $12.75 respectively.

LOCAL INDUSTRIES.

The list of registered industrial concerns includes companies for gas, electric lighting, water, telephone, tramways, floating dock, wharves, small railways, sugar factories, refineries, sugar-planting, and for the manufacture of cotton goods, woollen goods, tobacco, matches, bricks, hats, boots, biscuits, and confectionery, mineral waters, etc.

The total nominal capital of industrial concerns registered at Chamber of Commerce in Lima amounted in May, 1899, to some $12,000,000, of which some $8,650,000 have been issued and subscribed. The market quotations show the entire stock, taken as a whole, to be worth a little over its par value. Many of the shares stand at a high premium.

SHIPPING AND NAVIGATION.

Peru has some 1,200 miles of coast line, along which are scattered some forty ports giving access to the interior.

The sea is almost invariably smooth, and navigation is both easy and safe.

The principal ports are Callao, Mollendo, Paita, Salaverry, Eten, Pisco, and Chimbote.

The secondary ports are Tumbes, Mancora, Zorritos, Talara, Sechura, Pimentel, Malabrigo, Pacasmayo, Huanchaco, Samanco, Casma, Supe, Huacho, Huarmey, Chancay, Ancon, Cerro Azul, Tambo de Mora, Lornas, Chala, Quilca, Islay, and Ilo.

The movement at the port of Callao in 1898 was as follows:

PASSENGERS.

Arrivals	19,882
Departures	17,993
	37,875
Add approx. 10 p. c. of whom no record was kept	2,125
Total	40,000 approx.

CARGO.

Inward	603,140 tons.
Outward	531,649 "
Total	1,134,789 "

SHIPPING.

	Steamers.		Sailing Vessels.		Total.	
	No.	Tonnage.	No.	Tonnage.	No.	Tonnage.
Inward	314	513,469	172	94,009	486	607,478
Outward	314	512,874	172	94,184	486	607,058

In addition to the above, 769 small vessels entered and 762 departed in the same year, mostly under the Peruvian flag, and carrying some 20,000 tons of cargo.

Consequently the total number of ships of all kinds that entered and left the port of Callao in 1898 was 2,503, with a total tonnage of, more or less, 1,260,000 tons.

The shipping entering and leaving Callao belonged to the following nationalities :

STEAMERS.

INWARD.

Nationality.	No. of Vessels.	Tonnage.
British	168	279,464
Chilian	105	157,184
German	34	71,570
United States	3	941
Other countries	4	4,208
	314	513,367

OUTWARD.

British	170	282,431
Chilian	105	157,184
German	33	69,210
United States	3	941
Other countries	3	3,108
	314	512,874

SAILING VESSELS.

INWARD.

	No. of Vessels.	Tonnage.
Peruvian	102	25,218
British	33	40,312
Chilian	8	6,756
German	6	6,198
Italian	5	5,522
United States	2	1,390
Other countries	16	8,613
	172	94,009

OUTWARD.

Peruvian	105	27,100
British	31	39,096
Chilian	6	5,207
German	7	7,197
Italian	5	5,522
United States	3	2,210
Other countries	15	7,852
	172	94,184

The merchant navy of Peru in 1896 consisted of 36 vessels of over 50 tons, their aggregate tonnage being 9,953 tons; and 96 vessels under 50 tons, their aggregate being 1,246 tons.

The bulk of the coastal trade of Peru is divided equally between the Pacific Steam Navigation Company (British) and the South American Steamship Line (Chilian nationality, but formed mainly with British capital). These two companies have practically amalgamated, as they divide equally the net annual receipts. The freights and passages charged by these two companies between ports on the coast of Peru, and between Peruvian ports and Chile and Panama, are exceptionally high, and have done much to restrict Peruvian trade.

Besides these companies there are also three British and two German lines of cargo steamers doing profitable business along the coast and carrying cargo by way of the Straits of Magellan to Liverpool, London, Havre, and Hamburg, and one (the Grace line) to New York.

There is also talk of a French line of freight steamers being established.

PRODUCTS.

From the time of its discovery and conquest the great natural riches of Peru have been proverbial.

These riches include:

Minerals.—Gold, silver, copper, quicksilver, lead, tin, zinc, cobalt, nickel, iron, manganese, coal, petroleum, sulphur, borax, nitrates, etc., etc.

Tropical Products.—Sugar, cotton, cacao, coffee, rice, rubber, vanilla, cascarilla, coca leaves, cocaine, dyes, medical plants, tobacco, wines, and spirits.

Other Products.—Wool (sheep, alpaca, and vicuña) and guano.

Although the mining laws in Peru are very liberal, mining is carried on in a most limited, and for the most part primitive, scale.

Foreigners and Peruvians alike may own in any one mining centre as many as 20 pertinencias (claims) on each vein or mine. Each pertinencia is 40,000 square metres, or some 10 acres in extent, and for each claim properly registered $15 a year in semi-annual payments must be paid to Government.

The laws in Peru in regard to water rights for mining purposes are very liberal.

The Government Register of Mines, called "Padron General de Minas," and published twice every year, shows that in 1898 there were no less than 4,460 claims registered and paying taxes to Government. Of these, however, a comparatively small number are being worked on any scale. This, however, does not represent one-tenth of the mines that the country possesses, discovered and undiscovered.

Gold. The output of gold is very small, but is steadily increasing.

Silver. The silver produced and melted into bars at Cerro de Pasco, was, in 1891, 159,629 marks (the mark = 8 oz.); in 1892, 163,019 marks; in 1893, 166,480 marks; in 1894, 148,759 marks; in 1895, 174,866 marks; in 1896, 158,386 marks.

The total silver production of Peru, in 1896, is put at 3,300,000 ounces.

In 1897 the production of bar silver was estimated at nearly $1,990,000; silver sulphides, $1,750,000; and silver ores at $1,125,000; total silver production, $4,865,000.

In 1897 the value of the gold, lead, and copper exported amounted to $350,000. The exports of silver, not included in the above figures, probably amounted to $300,000, so that the total mineral produced in 1897 was about $5,500,000.

Copper. The copper industry has been much neglected in Peru, which country contains vast bodies of ore averaging from 12 per cent. to 40 per cent. of copper. Increased attention, however, has been drawn to this branch of mining industry, owing to the recent great rise in prices. In 1896 Peru exported to Great Britain copper ore and copper to the value of £49,294, and in 1897, £105,790. In 1898 and 1899 the amounts of copper and copper ore shipped have been much greater.

Exports, 1897. The following shows amount of principal products exported in 1897:

	Tons.		Tons.
Sugar	110,000	Cotton	6,000
Rice	5,000.	Borax	12,000
Wool	4,000	Coffee	1,200
Coca	500	Rubber	900
Guano	8,000		

And the production of all these commodities is rapidly increasing every year.

CAUSES OF PERU'S BACKWARD CONDITION.

The causes which have principally operated to keep Peru in such a backward condition for the last quarter of a century may be summed up as follows:

1. Political instability, especially since the Chilian war in 1879–80.

2. Peru's loss of her two principal sources of wealth and revenue, viz.: nitrate and guano.

3. Reckless borrowing on part of the Peruvian Government

when prices of nitrate and guano were high, and Peru's credit abroad was almost unlimited.

4. The unfortunate, shortsighted, and disastrous arrangement made between the Peruvian Government and the Peruvian Corporation in regard to Peru's foreign debt.

5. Poverty of the Peruvian Government, caused by the foregoing disasters, and consequent inability to develop the country's resources by raising money with which to construct indispensable public works, transport facilities, etc.

6. Ignorance, on the part of foreigners sent out to investigate mining and general business propositions, of the language, laws, and customs of Peru, and of the personal idiosyncrasies of the Peruvians.

7. The stifling of local enterprise, industries, and development by the usurious methods of and rates charged by foreign business houses and banks; the high freights charged by the railway and steamship companies; and the hostility displayed by the existing business houses to the establishment of new enterprises or to the introduction of outside capital unless done through them as intermediaries.

8. The overcapitalization of most of the industries and undertakings placed on the foreign markets, and the absence of competent local directorates.

9. Ignorance on the part of foreign capitalists and investors of the real needs, worth, and capabilities of Peru, which has resulted oftentimes in the formation of foreign companies to work isolated propositions when schemes with larger capital and on a broader and more comprehensive basis were required.

The foregoing summary may be taken as defining correctly the principal causes which have operated against the progress of Peru, and as accounting for her present discredited and undeveloped condition.

PERU NEEDS:

1. A new and more equitable arrangement with the bondholders in regard to the foreign debt of Peru.

2. Construction of roads, bridges, and in some instances light railways to connect the principal centres of production with the existing railways and ports.

3. The establishment of new steamship lines and the lowering of steamer and railway freights.

4. The development of the mining industry on a large and modern scale, by means of roads and the establishment of central smelting and ore-dressing works in the principal mining districts.

5. The development of the vast deposits of sulphur, coal, petroleum, borax, and copper along the Pacific coast.

6. The development of the Amazonian region, by means of colonies and a well-organized system of river steam navigation, and the consequent development of the rubber industry and other tropical products.

7. Subsequent to the development of the mining industry, the systematic irrigation and colonization of the vast fertile pampas now lying idle and unproductive along the Pacific coast. These pampas, with the application of water and labor, would produce in the greatest abundance sugar, cotton, rice, coffee, etc.

8. A more liberal banking system, and better financial and commercial relations with the United States.

CONCLUSION.

Whilst the present condition of Peru is both financially, commercially, and politically on a sounder and more prosperous basis than it has been for many years past, yet, in spite of the great improvement that has taken place during the administration of President Pierola's government in the last four years, and of the freedom from threatening clouds on the political horizon, the country cannot hope for real and lasting progress, or to reëstablish its credit by wiping off its foreign obligations and developing its almost limitless internal resources, until there is a steady and constant influx of foreign capital into the country, and an infusion of fresh energy and enterprise brought about.

Although in the past Great Britain has principally catered for the financial, commercial, and shipping needs of Peru, and of recent years there has been a considerable increase in com-

mercial relations between Peru and Germany, Italy, France, and Belgium, yet the natural financial and commercial partner of Peru should be the United States of America, by reason of their geographical position, of the cheapness and excellence of their manufactures, of their need for establishing new foreign markets and fostering their export trade and shipping industry, and the general, albeit tacit, acceptance of the principles of the Monroe doctrine by European and Asiatic powers.

At the present day American interests in Peru are insignificant, representing only 9 per cent. of the imports and 3¼ per cent. of the exports of Peru, and less than one-half per cent. of the total shipping trade; and yet the United States produce almost all the articles imported into Peru, and in many instances at lower prices than their European competitors. There is also a large demand in the United States for Peru's principal articles of export, such as gold, copper, cotton, sugar, coffee, crude petroleum, sulphur, borax, rubber, cacao, cocaine, etc.

There is no finer field for the investment of American capital nor for the development of American commerce and shipping in the whole of South America than in Peru; and never in the whole history of both countries has there been an epoch more opportune than the present for the fostering and growth of the commercial bonds between them.

With the construction of the inevitable Panama or Nicaraguan Canal, great impetus will be given to the South American republics bordering the Pacific coast, and Americans would do well to forestall their European rivals, and to secure their investments in the shape of mining, agricultural, commercial, banking, railway, and shipping concessions, whilst the field is still open and waiting for them, before the completion of that colossal engineering work.

A. B. READER.

NEW YORK, *September*, 1899.

[*Data received subsequently to publication of this pamphlet.*]

EXTRACT FROM MESSAGE OF PRESIDENT PIEROLA TO THE PERUVIAN CONGRESS ON SEPTEMBER 8, 1899.

Total commerce of Peru for 1898 (excluding Iquitos) amounted to $38,333,943, showing an increase of $13,819,228, or over 50 per cent. over 1897, and of $18,650,202, or nearly 100 per cent. over 1896.

Minerals exported in 1897 amounted to $3,224,284; minerals exported in 1898 amounted to $4,740,606, equivalent to an increase in one year of $1,516,322, or nearly 50 per cent.

New industrial societies were formed in Lima during 1897, 1898, and the first half-year of 1899 with a total nominal capital exceeding $10,000,000. All this capital was locally subscribed, which is the best proof and guarantee to foreign capital that the residents in Peru no longer fear internal disorders, and are investing their money in the country itself.

MSH 25657

END OF
TITLE